

“Covering Uninsured Kids: Reversing Progress Already Made”

**Testimony of Deval L. Patrick
Governor of Massachusetts
Before the
House Energy & Commerce Committee
On the
State Children’s Health Insurance Program**

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Good morning. Thank you, Mr. Chairman, Congressman Deal, and all the Members of this Committee for convening today’s hearing. This is an enormously important issue for Massachusetts and for the Nation in terms of both our public health and our economy.

A child with quality healthcare is a child with a better chance in every aspect of life. The Rand Corporation’s 2005 report entitled “Children at Risk” found, for example, that access to health care through regular well-child visits enable early developmental screenings and encourage parental behaviors to assist all facets of child development: physical, cognitive, emotional and social. Quality healthcare enables children to better engage as students and fosters better lifelong health outcomes. These differences can set the course for a life.

This is why SCHIP is a national success story. It is an important tool for fulfilling a most fundamental responsibility for any civilized society: to help parents give every child the care and support they need to reach their highest potential. Though there are differences on just what shape reauthorization should take, I want to acknowledge and thank you for the broad, bipartisan support in the Congress for continuing the SCHIP program.

In Massachusetts, SCHIP also plays an important role in our Healthcare Reform initiative.

Healthcare Reform in Massachusetts is a mosaic of different programs, contributions and approaches. Though these are still early days (we are only in the early weeks of the second year of implementation), our reform plan has already been very successful. 300,000 adults and children who were uninsured just a year ago are insured today, reducing our uninsured population by about half. Free care utilization has dropped. Between federal fiscal years 2006 and 2007, our uncompensated care pool saw roughly 9% fewer inpatient discharges and 12% fewer outpatient visits. A recent report by the Massachusetts Hospital Association shows that the

number of hospital low-income uncompensated care accounts has decreased by 28% since October 2004. And there are initial signs of a leveling off in health care costs, with premiums for subsidized programs increasing at an average of 5%, roughly half what increases in the general market have been.

As part of our partnership with the federal government, SCHIP has been an indispensable part of our plan. The Centers for Medicare & Medicaid Services (CMS) agreed to permit Massachusetts to expand SCHIP to children at or below 300% of the federal poverty level. As a result, Medicaid and SCHIP enrollment has grown by 40,000 children, including 18,000 newly eligible because of the expansion from 200% to 300% of the federal poverty level. CMS' approval of the Massachusetts SCHIP rules two years ago was a crucial part of the success we are experiencing today. And I am happy to add that we have achieved that success without having residents use SCHIP to substitute for private coverage. (The so-called "anti-crowd-out" provisions are working.)

I am here to ask you not to undermine this success. That's why the August 17th CMS guidance letter is so troubling for my state and for our

goals with Healthcare Reform. We are in the process of creating seamless, integrated, market-based coverage for all individuals and families across the Commonwealth. Our success depends on the stability and reliability of the commitments the federal government has made to us. A retreat in any of those commitments could have devastating effects on our progress, particularly our ability to cover families who have no affordable options in the unsubsidized private marketplace.

The August 17th CMS directive imposes new enrollment, administrative and procedural requirements that impair the Commonwealth's Medicaid and SCHIP programs. Though couched as "guidance" by CMS, they are in fact significant new requirements for states, like Massachusetts, that cover children over 250% the federal poverty level. They are particularly worrisome in our case, because we have a specific agreement with CMS on which we relied in designing and implementing our reforms.

Specifically, the August 17th directive may prevent us from covering eligible children who are not yet enrolled. They will inevitably lead to delays in care for many children while eligibility nuances are worked

through. Unless the Congress acts, many families will be discouraged from enrolling in SCHIP altogether. More costly emergency rooms will replace the pediatrician's office for families in need of care for a sick child – with the consequent upward pressure on overall system costs. Not only are these the very outcomes we are trying to avoid; but they would represent a giant step backward in one of the most successful innovations in healthcare reform in the country today. Indeed, as a practical matter in Massachusetts, this directive would leave thousands of children between 250% and 300% of the federal poverty level uninsured while their parents are covered by other features of our federally-approved Healthcare Reform. This inconsistency compromises an otherwise comprehensive coverage strategy.

So, I want to be as clear as I can be. Without continued federal support for and flexibility within the SCHIP program, Healthcare Reform in Massachusetts and elsewhere is in jeopardy. Given the benefits to children, to families and to our economy, and the many salient lessons to be learned from Massachusetts and other states on solutions that could work nationally, it is hard for me to understand why we would seriously

consider limiting or reducing the reach of either the Commonwealth's agreements with CMS or the SCHIP program as a whole.

I ask you to give reauthorization of SCHIP another try before the end of this Congress. Our success in enrolling low-income children means our federal SCHIP allotments have not been sufficient. I'm grateful that Congress has consistently addressed this short-fall issue for my state. However, the instability caused by the absence of a reauthorization bill creates problems in long-term planning for the program in Massachusetts and other states across the country.

At a minimum, I join my fellow governors here in asking you to rescind CMS' August 17th guidance letter on SCHIP.

Finally, I want briefly to make a point about several other CMS Medicaid regulations that have been put forth in the past year which will also affect Healthcare Reform in Massachusetts. CMS has issued seven new Medicaid regulations that will shift \$15 billion in costs from the federal government to states. We simply cannot afford it.

The regulations restrict how Medicaid pays for hospital services, graduate medical education, outpatient services, school-based health services, services for individuals with disabilities, and case management services.

Congress has delayed some of the regulations, but they will soon take effect if you do not act to overturn or further postpone them. Without your action, states will be forced to make choices that are more than just unpleasant, but wasteful, costly, impractical and ultimately harmful to our common interests in good personal and economic health.

So, while you are at it, I urge Congress to rescind CMS' new regulations on Medicaid as well.

Thank you again for convening today's hearing and for the opportunity to offer our views. I am happy to try to address any questions you may have.